

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BAC1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

25 OCTOBER 2019
9.00 a.m to 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **THREE (3)** pages excluding the cover page with **FOUR (4)** questions only.
2. Attempt **ALL** the questions. Distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

The Finishing Department of Ekuin Bhd has the following production and cost data for July:

1. Transferred out, 4,000 units.
2. Started 2,000 units that are 40% completed at July 31.
3. Materials added, RM30,000; conversion costs incurred, RM19,200.

Materials are entered at the beginning of the process. Conversion costs are incurred uniformly during the process.

Required:

- (a) Compute the equivalent units of production for materials and conversion costs for the month of July. (10 marks)
- (b) Compute unit costs and prepare a cost reconciliation schedule. (15 marks)

(Total: 25 marks)

QUESTION 2

Sana Sini Sdn Bhd has five activity cost pools and two products (a budget tape vacuum and a deluxe tape vacuum). Production is 700,000 units of Budget and 200,000 units of Deluxe. Information is presented below:

<u>Activity Cost Pool</u>	<u>Cost Driver</u>	<u>Est. Overhead</u>	<u>Cost Drivers by Product</u>	
			<u>Budget</u>	<u>Deluxe</u>
Ordering and Receiving	Orders	RM 120,000	600	400
Machine Setup	Setups	297,000	500	400
Machining	Machine hours	1,000,000	150,000	100,000
Assembly	Parts	1,400,000	1,200,000	800,000
Inspection	Inspections	300,000	550	450

Required (Round your answer to the nearest cent):

- (a) Compute the overhead rate for each activity cost pool. (5 marks)
- (b) Compute the overhead cost allocated to each product for each activity pool. (10 marks)
- (c) Compute the total overhead cost per unit for each product. (4 marks)
- (d) Prior to implementing Activity Based Costing, Sana Sini Sdn Bhd had practiced traditional costing. They implemented traditional costing using an overhead rate of RM12.50 per machine hour. Comment on whether the overhead of over or underapplied and explain the implications. (6 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Kebun Bunga reports the following results for the month of November:

Sales (10,000 units)	RM600,000
Variable costs	<u>420,000</u>
Contribution margin	180,000
Fixed costs	<u>110,000</u>
Net income	<u>RM 70,000</u>

Management is considering the following independent courses of action to increase net income.

1. Increase selling price by 5% with no change in total variable costs.
2. Reduce variable costs to two thirds or $66\frac{2}{3}\%$ of sales.
3. Reduce fixed costs by RM10,000.

Required:

- (a) Calculate the contribution margin and net income if they were to increase selling price by 5%. (5 marks)
 - (b) Calculate the contribution margin and net income if they were to reduce variable costs to two thirds of sales. (5 marks)
 - (c) Calculate the contribution margin and net income if they were to reduce fixed costs by RM10,000. (5 marks)
 - (d) Which is the best option of the three options assuming there's no change in sales volume. (5 marks)
 - (e) Assume that there will be a 5% drop in sales volume if the selling price is increased and you can reduce either variable cost or fixed cost but not both. What would you recommend as the best course of action. (5 marks)
- (Total: 25 marks)

QUESTION 4

- A) Omega Bhd uses 1,000 units of the component ABC24 every month to manufacture one of its products. The unit costs incurred to manufacture the component are as follows:

Direct materials	RM65
Direct labor	48
Overhead	<u>96</u>
Total	<u>RM209</u>

Overhead costs include variable material handling costs of RM10, which are applied to products on the basis of direct material costs. The remainder of the overhead costs are applied on the basis of direct labor dollars and consist of 50% variable costs and 50% fixed costs.

Continued...

A vendor has offered to supply the ABC24 component at a price of RM175 per unit.

Required:

Should Omega Bhd purchase the component from the outside vendor or make it themselves?
Show your calculations.

(13 marks)

- B) The following direct labor data pertain to the operations of Fujimora Bhd for the month of November:

Standard labor rate	RM15.00 per hour
Actual hours incurred	9,000

The standard cost card shows that 2.5 hours are required to complete one unit of product. The actual labor rate incurred exceeded the standard rate by 10%. Four thousand units were manufactured in November.

Required:

- (a) Calculate the price, quantity, and total labor variances. (8 marks)
- (b) Briefly explain what could be causing the unfavorable labor quantity variance and indicate what type of corrective action, if any, might be taken. (4 marks)

(Total: 25 marks)

End of paper.